

The Political Economy of Oil Price Deregulation and the Subsidy Fraud Crisis: A Study of Systematic Bureaucratic Corruption in Nigeria

MOSES ADESOLA, ADEBISI, (PhD)

Department of Sociology, Faculty of Social Sciences, University of Ilorin, PMB 1515, Ilorin, Nigeria

Abstract

The management of the oil sector in Nigeria over the year has left much to be desired owing to the unacceptable scale of corruption and poor management. The decay in the oil sector due to systematic neglect of the refineries, corruption, inept management, stealing, and vandalization of oil installations (pipelines, flow stations, operational equipments, etc.) have left the oil industry in a dire state calling for desperate reforms and measures. The paper showcases the scale of decay in terms of corruption and poor infrastructure with the discovery of trillions of Naira in purported expenditure on fuel importation that never came to the country; the paper also x-rays the managerial structures in the oil industry and their impacts on the sector itself. The seed data for analysis was provided by the audit report by an independent firm: KPMG & S.S. Afemikhe & Co.; government published data on financial disbursement and published empirical data on Nigerian oil industry from independent sources. The paper also attempts to define the scope of the problematic by scratching below the surface of identified causes and problems and concludes by presenting some possible leeway out of the economic, social and political quagmire, which includes the exercise of the political will for the enablement of the rule of law to strengthen the various anti-corruption institutions and their statutory powers.

Keywords: Oil subsidies, Deregulation, Corruption, Managerial Structures, Fuel Importation, Authoritarianism, Neo-patrimonialism.

INTRODUCTION:

The perennial fuel crises in Nigeria are not unconnected with the systemic problems of corruption, inefficient management and governmental ineptitude. Coupled with the low capacity of the refineries that had become outdated, militancy and outright stealing of crude oils, the nation is forced to cope with production, supply and accountability difficulties. Over the years, periodic hikes in the pump price of petroleum products: petrol, gas, kerosene and diesel, has yet to bring about the much needed stability in the production-supply chain. The problem generated by the situation forced the federal government, acting on the boisterous tide of public opinion, to institute an investigation through an independent audit report which is summarized below, with its damaging contents, as result of the discovery of large scale financial fraud and economic malfeasance. The report shows a systematic process in which corrupt practices have become institutionalized into the civil service bureaucratic structures of government, to the extent that crude oil sales and refined products import figures are inaccurate, inconsistent and poorly accounted for. Take a cursory look at the following audit report:

THE FUEL SUBSIDY FRAUD CRISIS: THE DAMAGING KPMG AUDIT REPORT.

The federal government of Nigeria hired in July 2010, the audit firms of *KPMG* and *S.S. Afemikhe & Co*, to look into the books of the *Nigerian National Petroleum Corporation* [*N.N.P.C.*] following what the 36 state governors alleged as wrongful deductions at source by the NNPC to fund its operations. The most important aspects of the 41-page report as far the goal of this paper is concerned are summarized below, as stated by the audit firms:

The report made the following observations:

- That the NNPC ‘deliberately’ turned the itself into an established drain pipe on the nation’s oil and gas earnings, and also an avenue for perpetrating corruption and fraud;
- That the NNPC also got itself enmeshed in sharp business practices, violation of laid down rules and regulations, illegal deduction of funds belonging to the states, and failure to account for several billions of naira meant for the federation account;
- That the NNPC has also defrauded the country in its subsidy claims. The firms, for instance, found that between 2007 and 2009, the NNPC over-deducted funds in subsidy claims up to the tune 28.5 billion naira. This according to the report it has not been able to account for ever since.
- That the Federal Government, national lawmakers and Nigerians having observed that: “ the procedures for managing and reporting the country’s crude oil and gas revenues are opaque and characterized by gaps, overlaps and inconsistencies in the role of key parties responsible for assessment, collection and reporting on these revenue streams”, the need to look into the gaping holes of NNPC’s undertaking became necessary.

Subsidy Deduction on Locally Produced Petrol.

- The report alleged further that the NNPC illegally deducted subsidy funds from the proceeds of locally-produced petrol which was not the intention of the subsidy programme. The auditors comment further: “We observed that NNPC’s subsidy claim and PPPRA’s verification are based on volume of petroleum products available for sale which comprises volume of products imported and actual production from the refineries, as against duly verified volume of products lifted out of the depots, meaning volume of petroleum products sold as stipulated in the subsidy guidelines”.
- Furthermore, the audit report goes on to state that the implication of this unwholesome practice was “the payment of subsidy on products not consumed by end users due to losses from pipelines vandalism, theft etc”. these auditors also told the government in their “rough estimation of subsidy payments on product losses for the period under review, 2007-2009, 11.8 billion naira was paid out (as subsidy). They also informed the federal government, in their report (auditors) that the practices going on at the NNPC had the risk of payment of subsidy on locally refined products which was not the intent of subsidy and that it encourages inefficiency”.
- The auditors also discovered that there were instances of delays in receipts of subsidy advance from PPPRA (Petroleum Products Pricing and Regulatory Authority) and this resulted in estimation of subsidy claims by the NNPC, which leads to under/over deduction from the proceeds of domestic crude sales, the report added.
- Instances of illegal over-deductions.

SUBSIDY DEDUCTIONS BY THE NNPC vis-à-vis PPPRA’s APPROVALS (2007, 2008 & 2009).

- The auditors’ report further states that “based on our analysis, subsidy over-deduction for 2007, 2008 and 2009 was estimated at 2billion, 10.3billion and 16.2billion naira respectively, stating further that high risk of loss of subsidy adjustment trail specifically in instances of under remittance”. For instance, in 2009, subsidy deduction in September amounted to 25billion naira, whereas PPPRA’s approval was 23.8billion naira. In November of the same year, subsidy deduction was in the region of 35billion as against PPPRA’s approval of 21.3billion naira. Over-deduction for the two months (September and November) amounted to 14.9billion naira. However, the audit report discovered of the amount over-deducted (14.9billion), only 4.2billion was paid into the federation account by the NNPC as adjustment for subsidy claimable for the two months under review.
- **The Foreign Exchange Fraud :**
- The report further observed that the “NNPC is invoiced in United States Dollars (USD) for domestic crude allocations but is expected to remit the equivalent naira value to the Federation Account. However, “we observed that exchange rates used by the NNPC were lower than the average exchange rates published by the CBN (Central Bank of Nigeria) during the review period”. According to the report, exchange rate variances for 2007, 2008 and 2009 were estimated at 25.7billion, 33.8billion and 26.7billion naira, respectively (based on CBN rates for those months). However NNPC sources claimed it obtained the exchange rates from CBN by phone and without any document to support its claims.
- The report also queried the sloppy manner NNPC contracts for the sale of crude are renewed every year. It says: “evaluation criteria for renewal of contracts are not clearly stated in the contract document.....the selection exercises were based on individual discretion and wrong assumptions and criteria”. This to the auditors’ report is a clear negation of globally acceptable rule of corporate governance”.
- That the sudden change of exchange rates from the dollar to the naira at the point of remittance to the Federation Account amounts to deliberate *fraud and corruption* (emphasis mine). But the big question raised by the report is: what happens to the differential resulting from the *deliberate and systematic lowering of exchange rates* (emphasis mine) which runs into billions of dollars?
- The report further discovered that crude production consistently exceeds OPEC’s quota/commercially allowable volume of 1,673,000 barrels per day (bpd) for a six-month period as observed (April-September, 2010).
- That there was no centralized location for storing electronic copies of historical production and allocation data. Rather, the report adds that they are stored in personnel (individual) work stations.
- In concluding their report, the auditors states that “based on our analysis, subsidy over-deduction for 2007, 2008 and 2009 was estimated at 2billion, 10.3billion and 16.2billion naira respectively, stating further that high risk of loss of subsidy adjustment trail specifically in instances of under remittance”. For instance, in 2009, subsidy deduction in September amounted to 25billion naira, whereas PPPRA’s approval was 23.8billion naira. In November of the same year, subsidy deduction was in the region of 35billion as against PPPRA’s approval of 21.3billion naira. Over-deduction for the two months

(September and November) amounted to 14.9billion naira. However, the audit report discovered the amount over-deducted (14.9billion), only 4.2billion was paid into the federation account by the NNPC as adjustment for subsidy claimable for the two months under review.

Meanwhile, in another development, the upper chamber of the federal legislature, The Senate, in its committee's probe report on the subsidy fraud reveals that while the sum of 256billion naira was budgeted for subsidy payment in 2011, over 1.36billion naira was actually spent in violation of statutory procedures and financial regulations by the end of the year. This figure was confirmed by the Honourable Minister for Finance, Dr Ngozi Okonjo-Iweala who also doubles as the coordinating Minister for the National Economy.

The whole essence of the institution of an audit investigation into the oil business transactions is to discover the scale or extent of corruption as it affects the economy and general development in Nigeria. From the audit report, it is obvious that corrupt practices exist on a grand scale within the petroleum sub-sector of the Nigerian economy.

CONCEPTUAL FRAMEWORK.

The scale of corrupt practices in the oil sector and among Nigerian public officials and politicians in general can better be understood if the trends, methods, patterns and scale can be explained by logical scientific means and explanations. A number of theoretical explanations and proposals have been employed or developed to provide explanatory tools for understanding the endemicity and pandemicity of corruption in the public sector in Nigeria. Such explanatory theories range from the sociological, psychological to the biological.

Most sociological explanations tend to analyze the impact of social values on the individual's character and personality formation. Scholars of functionalist extraction such as Emile Durkheim, Auguste Comte, Ferdinand Tonnies, and Max Weber were concerned with the anomic conditions that resulted from the moral anarchy brought about by social change in the aftermath of the introduction of technology and its attendant necessities for division of labour and specialization. Hence, the industrial revolution that broke in the 1750s impacted on the social cohesion of the western societies that those societies suffered from what Giddens (2009: 941) calls "structural tensions and a lack of moral regulation", which predisposes certain individuals in the society to criminality. This situation occurs because the rate of technological transformation of the society, especially economic production systems, outpaced human comprehensibility of the ramifications of the unfolding technological tornados that ravaged societies. The immediate consequence was anomie or anarchy and a breakdown of the moral constitution of society (Durkheim, 1984 [1893]). Durkheim's main proposition is that both crime and deviance are social facts and represent inevitable and necessary components of modern industrial societies (Giddens, *ibid.*). Merton (1968) deployed the concept of 'anomie', just like Durkheim to explain according to Anthony Giddens, the kind of "strain put on individual's behaviour when widely accepted cultural values conflict with their lived social reality".

Amundsen (1999:1) in a paper, *Political Corruption: An Introduction to the Issues* quotes 'The 1997 World Bank Development Report' as stating thus: "an effective state is vital for the provision of the goods and services- and the rules and institutions- that allow markets to flourish and people to lead healthier, happier lives. Without it, sustainable development, both economic and social is impossible' (The World Bank, 1997:1). Therefore, there is relationship between political and administrative reforms, on the one hand, and the level of corruption on the other. Hence to understand corruption, there is the need to understand the role of the state and politics. Amundsen (*ibid.* 2) states that represents a perverted state- society relation, in which state officials play vital role. Quoting Mery (cited in de Sardan 1999:49) he sees corruption as "a form of secret social exchange through which those in power (political or administrative) take personal advantage, of one type or another, of the influence they exercise in virtue of their mandate or their function". This definition is supported by that of Colin Nye's, described by Amundsen as classical due to its wide usage: "behaviour which deviates from the formal duties of a public role because of a private-regarding (personal, close family, private clique) pecuniary or status gains; or violates rules against the exercise of certain types of private-regarding influence"(Nye, 1967:417). These definitions are further supported by the "abuse of public power"(The World Bank, 1997) and Khan's definition of corruption as "behaviours that deviates from the formal rules of conduct governing the action of someone in a position of public authority because of private-regarding motives such as wealth, power, or status"(Khan, 1966:12), as quoted by Amundsen.

In explaining his approach to understanding corruption, Amundsen talks about what he calls **the theory of redistributive corruption** vis-à-vis **the theory of extractive corruption**. In the former, "the state is the weaker part of the in the state-society relationship. Here, various social and economic groups, interests or individuals are organized and powerful enough to draw more benefits from the corrupt practices they engage in with the state as a counterpart, than is the state and the ruling elite". Nigeria, Bangladesh and Russia are very good examples where private interest groups, businesses, whether local or foreign are able to purchase national resources cheaply through what Amundsen calls "exceptions, privileges, immunity and impunity through the use of kickbacks and mafia methods..."(*ibid.*). In the end, he says the system of redistributive corruption hurts

mainly the poor, and beneficiaries of corruption “depends on the local distribution of forces”. In the latter i.e. extractive corruption, the corollary is the case in which “the state is seen as the stronger partner in the state-society relationship”. This according to Amundsen, is where the ruling elite, representing the strongest force in the society, “uses the apparatus as its instrument to extract resources from the society, and does so for the benefit of the rulers”. In the case of oil corruption in Nigeria, the ruling classes usually position their cronies, political stooges and the corps of ethno-cultural sycophants in key positions facilitates the pillage of public resources, in most cases with impunity. With the backing of state power, the treasury is the king’s delight, as Louis XIII allegedly once remarked at the height of power drunkenness: “I am the state and the state is me”. This is based on the political dictum of Aristotle which states that “power corrupts but absolute power corrupts absolutely”. The attempt by the ruling classes in Nigeria to protect corruption has led to increasing tendency towards authoritarianism in government. Hence, Nigerian rulers gravitate from a government based on the *rule of law* to one based on the *rule of force*; the former defined as ‘democratic rule for the benefit of the entire population’ and the later (rule of force) defined as ‘an authoritarian, perverted and corrupted form of rule for the advantage of the ruler, which could be a tyrant or an oligarchy [Amundsen, *ibid*, based on Aristotle, 384-322]. This is the reason why there is no accountability in the ruling of the oil industry in Nigeria. Nigeria remains the largest and seventh largest producer of oil in Africa and the world respectively with an average daily production figures of between 2.5-3.0million bpd, but characterized by large scale stealing of crude oil. This has been confirmed by the audit report discussed earlier. Therefore, the bane of the oil industry and by implication the Nigerian economy is authoritarian rule based on neo-patrimonialism. Corruption as a social problem has equally been the focus of attention of several authors who dwelt on its various aspects and implications for society (such authors are: de Sardan, 1999; Heidenheimer et al, 1989 & 1993; Heidenheimer, 1996; Medard, 1997; McNulty, 1999; and Bayart et al, 1997).

Table 1: A TYPOLOGY OF MODES OF INDIVIDUAL ADAPTATION.

<i>Modes of Adaptation</i>	<i>Cultural Goals</i>	<i>Institutionalized Means</i>
I.Conformity	+	+
II. Innovation	+	-
III.Ritualism	-	+
iv.Retreatism	-	-
v.Rebellion.	+	+

Robert K. Merton: *Social Theory and Social Structure. New York: The Free Press. 1968 Enlarged Edition.*

Conceptualizing corruption becomes a difficult issue given the differing positions of various scholars involved in its definition and epistemology. The differences are occasioned by the ideological and scholastic orientations. The *World Bank*, an economic, financial and research institution, quoted by Usman and Rufa’i (2010:267) in Wuam and Sunday (eds, 2010), provides a fairly broad conceptual definition of corruption as follows:

Corruption means the abuse of public office, for private gain. Public office is abused for private gain when an officer accepts, solicits or extorts a bribe. It is also abused when private agents actively offer bribes to circumvent public policies and processes for competitive advantage and profit. Public office can also be abused for personal benefit, even if no bribery occurs, through patronage and nepotism. (8-9).

The conceptualization of corruption above is focused on corrupt practices mainly among civil servants in respect of an attempt to influence public policies and processes for personal or sectional gains by the officials. For instance, Adebisi (2011), states that public officers received a whopping US\$3billion in 2010 which represents a sizable percentage of the 2010 Federal Appropriation Bill. Given this scenario, if civil servants become economic looters and plunderers themselves rather than being the watchdogs, then Nigeria’s developmental aspirations will continue to be a mirage or pipeline dream.

This situation, which is symptomatic of most countries in sub-Saharan Africa, is reflected in Annan’s frustration that corruption remains at the top of societal problems by the turn of the 20th century. Annan (1999) puts the frustration thus:

When, in a society, the shameless triumph, when principles end and only Opportunism prevails, when the insolvent rules and the people tolerate it, when everything becomes corrupt but the majority is quiet because their slice is waiting...perhaps it is time to review our activities, re-evaluate those around us, and return to ourselves.

Transparency International (1998), a non-governmental agency and watchdog on corrupt practices the world over, observes that:

“Corruption is one of the greatest challenges of the contemporary world. It undermines good government, fundamentally distorts public policy, leads to the misallocation of resources, harms the private sector and private sector development and particularly hurts the poor”.

“ Corruption is understood as everything from the paying of bribes to civil servants in return for some favour and the theft of public purses, to a wide range of dubious economic and political practices in which politicians and bureaucrats enrich themselves and any abusive use of public power to a personal end” (Amundsen, 1999).

Table 2: List of Companies Owed by the NNPC

Firms		Amount Owed (US million).
1	Glencoe	\$138million.
2	Vitoe	\$198million.
3	Trafigura	\$53million.
4	Calson(possibly a subsidiary of Vitoe)	\$115.11million.
5	Napoli (a partner of Trafigura)	\$75.6million.
6	Glencoe & Mercuria	\$3.5billion.
	GRAND TOTAL	\$4.1BILLION

Source: saharareporters.com/news-page/mismanaged-nigerian-state-oil-company-nnpc-racks-news-debts.

Given the billions of petrol dollars available to Nigeria from oil revenue, there is no justification for incurring these huge sums of debt and making the poor to pick the bill in form of subsidy removal. In fact, by 2012, the Nigerian National Petroleum Corporation (NNPC), the flagship of Nigeria’s oil industry went cap-in-hand to both local and foreign bankers for another round of US\$1.5billion syndicated loan with a collateral of 15,000 bpd (barrel per day)(Reuters). This scale of corruption is possible only in a system where there is high degree of inefficiency, ineptitude in governance, and widespread lack of accountability, caused by the existent culture of impunity. This is the Nigerian situation where appointed officials of government collude with both local and foreign businessmen and criminals to systematically fleece the country of billions of dollars. *The saharareporters.com’s report* identifies a number of causative factors that made this scenario possible: a). decades of corruption and mismanagement which had plunged the NNPC into heavy debt; b). its failure to build requisite refining capacity to meet domestic needs.

The mess in the oil industry puts the NNPC in a complicated demand and supply quagmire and to extricate itself from social and political backlash, it must import expensive fuel from the global oil market, mainly from very distant Venezuela in South America. This is what corruption has caused Nigeria.

THE COMPLICIT ROLE OF THE MULTINATIONAL OIL COMPANIES.

Writing on “Nigeria and Oil”, Shah (2012) posits that “there is a symbiotic relationship between the military dictatorship and the multinational companies who grease the palm of those who rule...” according to him, “they are assassins in foreign land. They drill and they kill”. The Anglo-Dutch oil giant, Shell BP, was evidently complicit in the execution by hanging of the *Ogoni Nine* by the General Sani-led military junta. A prominent member of those executed was the renowned playwright and environmentalist Ken Saro-Wiwa. The implication of corruption in the oil industry of Nigeria is that the violence, militancy and insecurity across the country, especially in the Niger Delta, the northern *Boko Haram* killings of mainly Christians and kidnappings are symptomatic of unchecked corruption.

It is therefore scientifically rational to hypothetically assume a causative nexus between unbridled corruption and popular revolts and nationalist or pseudo nationalist/ideological movements in Nigeria. Omeje’s report on “Oil Conflict and Accumulation Politics in Nigeria”, states that:

Since the mid-1990s, the minority ethnic communities of the oil-bearing Niger Delta region...have waged a formidable struggle of unrelenting violent protests, including oil theft, pipeline sabotage, and kidnappings.

The structural pattern of corruption-generated crises is cyclical in nature, i.e. corruption breeds crises and crises breed further corruption. The trend continues on and on but like a wheel rolling towards the edge of the abyss. The January 2012 anti-oil subsidy fraud protests that nearly completely shot down Nigeria for more than a week forced the federal government to make a list of oil marketers who allegedly collected funds from government without importing the required amount of fuel needed for the domestic economy. The protests had its epicentre in the commercial city of Lagos, which hosts a vibrant and radical opposition and civil society organizations. More than two million protesters converged on Lagos streets to the extent that the federal government had to deploy soldiers to Lagos. Government’s panicky reaction to the protests is understandable given the structural character of the protesters: academics, the clergy (Christian and Muslim), musicians, students, artisans, civil servants, and the *army* of jobless youth, etc.

After it was able to pressure the trade union leaders to back down on the protests, the embattled government whose political ego had been badly bruised horridly published a list of defaulting oil marketers, which appears in *THE NATION Monday, January 23, 2012*.

Table 3: THE 38 OIL FIRMS IMPLICATED IN THE OIL SUBSIDY FRAUD PUBLISHED BY THE EFCC [ECONOMIC AND FINANCIAL CRIME COMMISSION].

1	OANDO NIG. PLC.	N228.506B
2	INTEGRATED OIL AND GAS	N30B
3	MRS	N224.818B
4	A.A.RANO	N1.14B
5	A-Z PETROLEUM	N18.61B
6	A.S.B.	N3.16B
7	ARCON PLC	N24.116B
8	AFRICAN PETROLEUM	N104.58B
9	AMINU RESOURCES	N2.3B
10	CAPITAL OIL	N22.4B
11	CON OIL	N37.96B
12	AVANTEGUARD	N1.14B
13	AVIDO	N3.64B
14	BOFFAS AND COMPANY	N3.67B
15	BRILLA ENERGY	N960.3M
16	D. JONES PETROLEUM	N14.86B
17	DOWNSTREAM ENERGY	N789.648M
18	DOSIL OIL AND GAS	N3.375B
19	INCO RAY	N1.988B
20	ETERNAL	N5.574B
21	FOLAWIYO ENERGY	N113.32B
22	FRADO INTERNATIONAL	N2.63B
23	FIRST DEEPWATER OIL	N257.396M
24	HEDEN PETROL	N693M
25	HONEYWELL PETROL	N12.2B
26	AMP	N11.417B
27	ASCON	N5.271B
28	CHANNEL OIL	N1.308B
29	FORT OIL	N8.582B
30	ENAK OIL & GAS	N19.684B
31	BOVAS & CO. NIG LTD	N5.685B
32	OBAT OIL	N85B
33	AP	N104.5B
34	IPMAN INVESTMENT LTD	N10.9B
35	ACON	N24.1B
36	ATIO OIL	N64.4B
37	AMP	N11.4B
38	EMAC OIL	N19.2B
	GRAND TOTAL	N1.3TRILLION

SOURCE: THE NATION, Monday, January 23, 2012.p.6 [A Nigerian Daily]

In spite of this huge sum of public funds devoted to oil subsidy, representing approximately a quarter of the budget, there was nothing on ground to show that the fuel supplied actually matched the fund allocated to the marketers as shown in table 3 above. To justify the fuel price increase, government promised to dedicate the funds to be recouped from its unpopular subsidy removal policy to funding various development projects across the country. A comprehensive tabular analysis of funds to be allocated is presented tables 4-12 of the appendix. However, a year and a half after the pronouncement, there is nothing to show on ground as far as development projects are concerned.

THE RETURN OF THE INDICTED OIL MARKETERS.

A new report shows that the number of fuel suppliers has increased from 30 to 40 but curiously the list contains five oil marketers that had been previously indicted for oil import fraud. *THE NATION* Newspapers of Wednesday July 24, 2013, named the following indicted fuel importers among the new list of importers: Nepal, MRS, Fresh Synergy, Ibafo and Techno. The report shows that in 2012 about 1 Trillion Naira (US\$6.2Billion) which represents about 20% of the federal budget was expended on fuel subsidy. The report submits further that fuel subsidy obviously facilitated corruption as about US\$6Billion was allegedly spent on fuel subsidy but that

50% of expected fuel import never arrived.

Meanwhile, of the 232 billion naira fraudulent claims and was expected to be returned to the covers of government, only 14 billion naira, representing about 6% has so far been recovered by government. Also, oil companies such as Vitol, Mercuria, and Trafigura, which traditionally played key role in fuel importation, have been substituted by some local firms, such as OANDO Plc, which won the biggest allocation of 135,000 tonnes; while *TOTAL* and *FOLAWIYO*, in which global commodity merchant *GLENCOE* holds minority share were allocated 90000 tonnes each.

SUBSIDY REINVESTMENT AND EMPOWERMENT PROGRAMME (*SURE-P*) AND THE GRANDSTANDNING NATION-WIDE PROJECT PROPOSALS.

The following projects distributed across 12 tables are expected by government to be funded from the money saved from net increase in oil prices as a result of subsidy removal. The projects range road construction and rehabilitation, hydro-power, refineries, irrigation, railway lines, rural and urban water supply, and increased allocation of petrol-dollar monies to the 36 states, Abuja (The Federal Capital Territory) and 774 local government areas. Much has yet to be seen on the ground to justify the huge financial resources that have been earmarked for these ambitious and politically-motivated projects that accord little regards for economic viability. Two years on since the subsidy protests, the scale of corrupt practices has been upped as new cases have been uncovered within the NNPC and the government. The suspended Governor of the Central Bank of Nigeria, Sanusi Lamido Sanusi, a scion and heir apparent of Kano royal dynasty alleged recently that the sum of twenty billion dollars (US\$20bln) was missing from the Federation Accounts as it was unremitted. The CBN Governor over the years has attempted to distance himself from the corruption-riddled federal government led by the *People's Democratic Party* (PDP). This has created tension between the CBN on one hand, and the Presidency cum National Assembly on the others. He once openly defended official statistics to show that the National Assembly consumes about 25% of the National budget (approximately over one trillion naira); a situation said was not good for the economy.

CONCLUSION

The focus of this paper has been on the fraud associated with oil subsidy and the deregulation of the downstream subsector of the oil industry. The paper examined the systematic fraud perpetrated by the sectoral managers of the NNPC, PPPRA and relevant governmental agencies. The mismanagement of the oil and gas sector created a huge shortfall in the financial resources needed for infrastructural development across the country, when Nigeria is classified as the largest and seventh largest producer of oil in Africa and the world respectively. This is also in spite of the rebasing of Nigeria's economy which makes it the largest economy on the African continent, with a value of US\$510billion. Unfortunately, successive governments in Nigeria have paid mere lip service to the call by the citizenry for government to tackle corruption frontally. Increasing authoritarianism in governance based on neo-patrimonialism facilitates high level of corruption in Nigeria. Today, Nigeria remains one of the most corrupt countries in the world. This paper believes that any meaningful attempt at fighting corruption must be based on the rule of law that governs every Nigerian citizen, big or small. This can only be possible when the empowerment process is transparently democratic and basically broad-based.

APPENDIXES I-IX: The tables here represent the various projects to be addressed by monies realized from the removal of subsidies on petroleum products (so-called *SURE-P* projects spread across the country. In actual fact, some of these projects have awarded and re-awarded by previous administrations, for example, Lokoja-Abuja road dualization contract that had been awarded by the Obasanjo Administration; East-West Road project started during President Umaru Yar'adua amongst others.

Appendix i

TABLE 4: EAST WEST ROAD SECTIONS

S/N	EAST- WEST ROAD	DISTANCE
1.	Section 1, Warri – Kaiama	87km
2.	Section 2.1 Kaima – Ahoada	47km
3.	Section2.2, Ahoada-Port Harcourt	54km
4.	Section3, Port Harcourt	99km
5.	Section 4, Uyo-Calabar	51km
	TOTAL	338km

Appendix ii

TABLE 5: LIST OF ROAD PROJECTS

S/N	ROADS/BRIDGES	DISTANCE	ZONE
1.	Abuja-Abaji-Lokoja Dual Carriageway	200km	NC
2.	Benin-Ore-Sagamu Dual Carriageway	295km	SW/SS
3.	Onitsha-Enugu-Port Harcourt Dual Carriageway	317km	SE
4.	Kano-Maiduguri Dual Carriageway	510km	NW/NE
5.	Construction Of Oweto Bridge	2km	NC
6.	Construction of 2 nd Niger Bridge	2Km	SS/SE
	TOTAL	1,326KM	

Appendix iii

TABLE 6: LIST OF RAILWAY PROJECTS

S/N	ROUTES	DISTANCE COVERED	ZONE
1.	Lagos-Ibadan Standard Gauge (Dual)	174km	SW
2.	Abuja-Kaduna Standard Gauge	187km	NC/NW
3.	Port Harcourt-Umuahia-Enugu-Makurdi-Lafia-Kuru-Kafanchan-Jos-Bauchi-Gombe-Maiduguri	2,119km	SS/SE/NC/NE
4.	Zaria-Funtua-Gusau-KauralNamoda	221km	NW
5.	Lagos-Ibadan-Ilorin-Jebba-Minna-Kaduna-Zaria-Kano	52km	FCT-Abuja
	TOTAL	3,877KM	

Appendix iv

TABLE 7: LIST OF SOME OF THE IRRIGATION PROJECTS

S/N	Projects	Hectarage	Output(TONS/YEAR)	Zone
1.	Lower Anambra, Anambra	3,850	25,000	SE
2.	Adani Rice, Enugu	1,000	12,500	SE
3.	Abakaliki (Item Ikwo), Ebonyi	500	12,500	SE
4.	Peremabiri, Bayelsa	2,000	18,000	SS
5.	Itu Irrigation, Cross River	500	8,000	SS
6.	Kolo, Bayelsa	500	18,000	SS
7.	Middle Ogun, Oyo State	1,000	20,000	SW
8.	Lower Ogun, Ogun State	1,000	20,000	SW
9.	South Chad, Borno	3,300	40,000	NE
10.	Lower Chad, Yobe	1,700	20,000	NE
11.	Chouchi, Adamawa	1,000	20,000	NE
12.	Lower Taraba (Donga)	500	18,000	NE
13.	Doma, Nasarawa	1,000	20,000	NC
14.	Tada Shonga, Kwara	3,000	25,000	NC
15.	Auyo, Jigawa	2,000	18,000	NW
16.	Longkat, Plateau	1,000	12,000	NC
17.	Bakolori, Zamfara	2,000	50,000	NW
18.	Gurara, Kaduna	2,000	25,000	NW
19.	Zauro Polder, Kebbi	1,000	40,000	NW

Appendix v

TABLE 8: LIST OF SOME RURAL AND URBAN AND REGIONAL WATER SUPPLY PROJECTS

S/N	PROJECTS	STATES
1.	Aba/Umuahia	Abia
2.	Greater Onitsha	Anambra
3.	Abakaliki/Ishiagu	Ebonyi
4.	Okrika/Port Harcourt	Rivers
5.	Central Ogbia	Bayelsa
6.	Fugar, Okpella	Edo
7.	Ilesha/Ile Ife	Osun
8.	Abeokuta	Ogun
9.	Little Osse	Ekiti
10.	Biu	Borno
11.	Damaturu	Yobe
12.	Gombe	Gombe
13.	Bauchi	Bauchi
14.	Mangu	Plateau
15.	Okene/Lokoja	Kogi
16.	Langtang	Plateau
17.	Zobe	Katsina
18.	Zaria	Kaduna
19.	UsmanDanFodio	Sokoto S
20.	Karu/Mararaba	Nasarawa
21.	Dutse	Jigawa
22.	FCT	Abuja

Appendix vi

TABLE 9: LIST OF SOME HYDROPOWER PROJECTS

ID	PROJECT TITLE	WATTAGE	LOCATION
LAGE HYDROPOWER PROJECT			
1	Mambilla Hydropower Project	2,600MW	Taraba
SMALL AND MEDIUM HYDROPOWER PROJECTS			
1.	Waya Small Hydro power Plant	0.15MW	Bauchi
2.	Mbowo Small Hydro Power Plant	0.125MW	Enugu
3.	Ikere Gorge Small Hydro Power Dam	9MW	Oyo
4.	Oyan Small Hydro Power Dam	9MW	Ogun
5.	Bakolori small Hydro Power Dam	3MW	Zamfara
6.	Tiga Dam	6MW	Kano
7.	Challawa Dam	6MW	Kano
8.	Jibiya Dam	3MW	Kastina
9.	Doma Dam	5MW	Nassarawa
10.	OWENA Dam	3MW	Ondo
11.	Goronyo Dam	6MW	Sokoto
12.	Kampe Dam	2MW	Kohi
13.	Zobe Dam	3MW	Katshina
14.	Kashimbilla Dam	40MW	Taraba
15.	Dadin Kowa Small Power Plant	34MW	Gombe
16.	Ogwashiukwu Dam	1MW	Delta
17.	Galma Dam	10MW	Kaduna

Appendix vii

TABLE 10:

S/N	LOCATION OF REINERY	PROCESSING CAPACITY (BBLs/DAY)
1.	Oloibiri Baelsa	100,000
2.	Ibogiri, Kogi	100,000
3.	Lekki Free Trade Zone, Lagos	200,000

Appendix viii

TABLE: 11

2012 PROJECTED DISTRIBUTION OF STATE GOVERNMENTS' SHARE BASED ON CRUDE OIL PRICE OF US\$90 PER BARREL

S/NO	STATE	ALLOCATION =N=000
1	ABIA	7,460,062.24
2	ADAMAWA	7,093,217.24
3.	AKWA IBOM	43,406,731.87
4.	ANAMBRA	7,164,697.14
5.	BAUCHI	8,309,652.09
6.	BAYELSA	33,839,652.09
7.	BENUE	7,659,631.38
8.	BORNO	8,451,350.27
9.	CROSS RIVER	7,718,686.26
10.	DELTA	40,965,476.92
11	EBONYI	5,880,552.17
12	EDO	9,432,709.30
13	EKITI	5,931,760.50
14	ENUGU	6,692,449.99
15	GOMBE	6,291,166.08
16	IMO	8,729,126.56
17	JIGAWA	7,848,086.61
18	KADUNA	8,944,553.13
19	KANO	11,210,304.04
20	KASTINA	8,525,402.69
21	KEBBI	7,131,000.67
22	KOGI	7,113,202.30
23	KWARA	6,482,037.63
24	LAGOS	10,126,514.01
25	NASSARAWA	6,073,343.25
26	NIGER	8,294,895.04
27	OGUN	6,932,554.10
28	ONDO	12,554,345.10
29	OSUN	6,575,162.77
30	OYO	8,283,911.05
31	PLATUE	6,956,827.74
32	RIVER	44,628,272.62
33	SOKOTO	7,395,670.79
34	TARABA	7,005,145.87
35	YOBE	6,952,382.78
36	ZAMFARA	6,973,520.31
	TOTAL :	411,034,176.00

Appendix ix

TABLE 12:

**2012 PROJECTED DISTRIBUTION OF LOCAL GOVERNMENTS' SHARE
 BASED ON CRUDE OIL PRICE OF US\$90 PER BARREL**

S/NO	STATE	ALLOCATION =N=000
1	ABIA	4,238,037.28
2	ADAMAWA	5,453,941.40
3.	AKWA IBOM	7,192,651.57
4.	ANAMBRA	5,406,502.22
5.	BAUCHI	6,252,967.94
6.	BAYELSA	2,300,560.20
7.	BENUE	6,357,999.06
8.	BORNO	7,307,086.59
9.	CROSS RIVER	4,540,847.09
10.	DELTA	46,001,812.30
11	EBONYI	3,235,045.01
12	EDO	4,544,886.73
13	EKITI	3,697,048.21
14	ENUGU	4,380,299.45
15	GOMBE	3,196,301.41
16	IMO	6,342,352.58
17	JIGAWA	6,654,099.65
18	KADUNA	7,136,961.50
19	KANO	11,712,750.53
20	KASTINA	8,563,272.60
21	KEBBI	5,319,281.53
22	KOGI	5,513,261.00
23	KWARA	4,234,044.54
24	LAGOS	7,114,676.51
25	NASSARAWA	3,388,143.83
26	NIGER	6,865,934.91
27	OGUN	5,080,656.46
28	ONDO	4,689,711.39
29	OSUN	6,391,233.41
30	OYO	8,172,704.52
31	PLATUE	4,678,163.80
32	RIVER	6,125,835.15
33	SOKOTO	5,872,227.28
34	TARABA	4,674,398.11
35	YOBE	4,533,026.64
36	ZAMFARA	4,225,704.32
37	FCT- ABUJA	1,811,053.26
	TOTAL	203,235,480.00

REFERNCES

- Adebisi, M. A. (2011). "Nigerian Labour Movements and Civil Society Organizations: Imperatives of a Partnership for National Development in a Globalizing World". Paper presented at an international conference on *Globalization and Development: Rethinking Intervention and Governance*, Global Week Conference. University of Gothenburg, Sweden. 22-23 November.
- Amundsen, Inge. (1999). Political Corruption: An Introduction to the Issues. WP 1999: 7
- Annan, Kofi. (1999). "Global Integrity in a Changing World". Message to the 9th International Anti-corruption Conference(IACC), Durban, South Africa. October 10-15.
- Bayart, Jean-Francois; Ellis, Stephen & Hibou, Beatrice (1997). "*La Criminalisation de l'Etat en Afrique*", Paris. Editions Complexe; "*The Criminalisation of the State in Africa*", Oxford: James Currey.(1999).
- de Sardan, J.P. Olivier. (1999). "A Moral Economy of Corruption in Africa?" in *The Journal Modern Studies*,

- vol.37, no.1, pp. 1-23.
- Durkheim, E. (1952 [1897]). *Suicide: A Study in Sociology*. London: Routledge and Kegan Paul.
- Durkheim, E. (1984 [1893]). *The Division of Labour in Society*. London: Macmillan. Environmental Issues That Affect Us All. <http://www.globalissues.org/article/86/nigeria-and-oil>
- Giddens, A. (2009). *Sociology, Sixth Edition*. New Delhi: Wiley India Pvt. Ltd.
- Heidenheimer, Arnold J (1996). "The Topography of Corruption: explorations of in a comparative perspective" in *International Social Science Journal* vol. 48, no.3, September. Pp.321-335.
- Heidenheimer, Arnold J, Michael Johnston, & Victor T. Le Vine (eds.)(1989): *Political Corruption: A Handbook*: New Brunswick NJ (third printing 1993), Transaction Pub.
- Jones, Peter Ellis.(1988). *Oil: A Practical Approach to the Economics of World Petroleum*. New York: Nichols Publishing Company and published in Great Britain by Woodhead-Faulkner Ltd, Cambridge.
- Khan, Mushtaq H. (1996). "A Typology of Corrupt Transactions in Developing Countries" in *IDS Bulletin*, vol.27, no.2, April.
- Macrae, John. (1982). Underdevelopment and the Economics of Corruption: A Game Theory Approach. *World Development*. Vol. 10, No.8, pp. 677-687.
- McNulty, Mel. (1999). "The collapse of Zaire: implosion, revolution or external sabotage?" in *The Journal of Modern African Studies*, vol.37, no.1, pp.53-82
- Medard, Jean-Francois (1997). "La corruption internationale et l'Afrique" in "Revue internationale de politique comparee", vol.4, no.2.
- Merton, R. K.(1968). *Social Theory and Social Structure*. New York: The Free Press.
- Omeje, Kenneth. (Undated). Oil Conflict and Accumulation Politics in Nigeria. *REPORT FROM AFRICA: Population, Health, Environment and Conflict*. ECSP REPORT. ISSUE 12..
- Shah, Anup. (2010). "Nigeria and Oil". *Global Issues*. Social, Political, Economic and Theory Approach. *World Development*. Vol. 10, No.8, pp. 677-687.
- The Nation*. (2012). "EFCC Invites 38 Oil Marketers Over N1.3trillion Subsidy Cash", Monday, January 23, p.6.
- The Nation*. (2013). "Indicted Oil Firms on Fuel Supply List". July 24. www.thenationonline.net
- Transparency International (1998).
- Usman, M. T. and Murtala Ahmed, Rufa'i. (2010). "The State and Anti-Corruption Crusade in Nigeria: Assessment of the Economic and Financial Crime Commission (EFCC),2003- 2009, in *Lapai Democracy Series: Governance and Economic Development in the Fourth Republic* edited by Terhemba Wuam & Talla Ngarka Sunday.
- World Bank. (1997). "Helping Combat Corruption: The Role of the World Bank", www.transparency.org/iacc/9th_iacc/papers.html#links
- Wuam, Terhemba and Talla Ngarka, Sunday. (eds.) (2010). *Lapai Democracy Series: Governance and Economic Development in the Fourth Republic*. Published for the Department of History and Archeology, IBB University, Lapai, Niger State of Nigeria: Aboki Publishers: Markurdi-Abuja-Ibadan.

The IISTE is a pioneer in the Open-Access hosting service and academic event management. The aim of the firm is Accelerating Global Knowledge Sharing.

More information about the firm can be found on the homepage:

<http://www.iiste.org>

CALL FOR JOURNAL PAPERS

There are more than 30 peer-reviewed academic journals hosted under the hosting platform.

Prospective authors of journals can find the submission instruction on the following page: <http://www.iiste.org/journals/> All the journals articles are available online to the readers all over the world without financial, legal, or technical barriers other than those inseparable from gaining access to the internet itself. Paper version of the journals is also available upon request of readers and authors.

MORE RESOURCES

Book publication information: <http://www.iiste.org/book/>

Academic conference: <http://www.iiste.org/conference/upcoming-conferences-call-for-paper/>

IISTE Knowledge Sharing Partners

EBSCO, Index Copernicus, Ulrich's Periodicals Directory, JournalTOCS, PKP Open Archives Harvester, Bielefeld Academic Search Engine, Elektronische Zeitschriftenbibliothek EZB, Open J-Gate, OCLC WorldCat, Universe Digital Library, NewJour, Google Scholar

